



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 4, 2004

### **H.R. 4251** **Maritime Transportation Amendments of 2004**

*As ordered reported by the House Committee on Transportation and Infrastructure  
on May 12, 2004*

#### **SUMMARY**

H.R. 4251 would amend various laws that govern the operations of the U.S. Coast Guard. Assuming appropriation of the necessary amounts, CBO estimates that implementing the proposed changes would cost \$2 million in fiscal year 2005 and a total of \$64 million over the 2005-2009 period. Complying with a provision that could restrict the Coast Guard's purchase of certain foreign-built engines might increase the costs of the agency's procurement program, but CBO has no basis for estimating such costs. Finally, we estimate that enacting H.R. 4251 would reduce direct spending by increasing offsetting receipts from inspection fees by \$2 million a year, beginning in fiscal year 2008. Enacting the bill would not affect revenues.

The bill contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

H.R. 4251 would impose private-sector mandates on owners and operators of certain vessels. Based on information provided by government and industry representatives, CBO estimates that the cost to comply with those mandates would not likely exceed the annual threshold established by UMRA for private-sector mandates (\$120 million in 2004, adjusted annually for inflation).

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 4251 is shown in the following table. The cost of this legislation falls within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars				
	2005	2006	2007	2008	2009
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>					
Spending for Coast Guard Inspections					
Estimated Authorization Level	2	4	4	25	25
Estimated Outlays	2	4	4	25	25
Spending for Vessel Safety Advisory Groups					
Estimated Authorization Level	0	1	1	1	1
Estimated Outlays	0	1	1	1	1
Total Changes <sup>a</sup>					
Estimated Authorization Level	2	5	5	26	26
Estimated Outlays	2	5	5	26	26
<b>CHANGES IN DIRECT SPENDING</b>					
Estimated Budget Authority	0	0	0	-2	-2
Estimated Outlays	0	0	0	-2	-2

a. CBO estimates that the Coast Guard will spend about \$85 million in 2004 to conduct vessel inspections and about \$1 million for advisory group expenses.

## BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 4251 will be enacted by the end of fiscal year 2004 and that the amounts estimated to be necessary to promulgate and enforce the proposed changes to the Coast Guard's inspection program will be appropriated for each fiscal year. Outlay estimates are based on spending patterns for Coast Guard regulatory programs.

## Spending Subject to Appropriation

**Vessel Safety Inspections.** H.R. 4251 would make two significant changes in the Coast Guard's vessel inspection program. First, the bill would require that all commercial vessels inspected by the Coast Guard carry potable water for crew and passengers. In addition, the bill would expand the inspection program to include all American-flag towing vessels. Based on the historical experience of other Coast Guard regulatory initiatives, CBO estimates that the agency would spend \$2 million in fiscal year 2005 and \$4 million in each of fiscal years 2006 and 2007 to implement these requirements. The funds would be used to

promulgate the standards and rules needed to establish new regulations, develop a fee schedule for new inspections, and hire, train, and equip new inspectors. We estimate that carrying out the new inspections and enforcing new potable water requirements would increase the cost of the vessel inspection program by \$25 million a year by 2008.

**Buy-America Requirements for Certain Coast Guard Vessels.** The bill could prohibit the Coast Guard from acquiring response boats-medium (a type of vessel used for search and rescue and other agency activities) if they contain engines that are manufactured outside of the United States. The prohibition would not apply in emergencies or if the price of eligible vessels is unreasonable.

CBO does not have sufficient data to estimate the cost of complying with this provision. At present, the Coast Guard plans to purchase about 180 of these vessels, but the agency has not yet chosen a supplier or assessed the costs and benefits of various proposals (two out of three of which use American-made engines). In general, CBO expects that restricting the sources of supply of vessels or other equipment to those with American-made components could affect the Coast Guard's procurement program and may increase the need for future appropriations.

**Advisory Groups.** Section 104 would extend by five years the life of seven committees or councils that advise the Coast Guard on safety issues. CBO estimates that paying travel and other expenses for members of these organizations would cost the Coast Guard about \$1 million a year over the 2006-2009 period (and an additional \$1 million in 2010).

## **Direct Spending**

Under current law, the Coast Guard is authorized to charge fees for the inspection of commercial vessels. Based on existing inspection fees, CBO estimates that the agency would collect additional offsetting receipts of \$2 million a year for inspections of towing vessels once regulations to implement the bill's requirements have been finalized. For this estimate, we assume that the new regulations would require inspections of up to 5,500 boats every five years, with initial inspections to be phased in over a three-year period, beginning in fiscal year 2008.

## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

H.R. 4251 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

H.R. 4251 would impose private-sector mandates as defined in UMRA on certain vessels. Based on information obtained from government and industry representatives, CBO estimates that the aggregate cost of private-sector mandates in the bill would fall below the annual threshold established in UMRA (\$120 million in 2004, adjusted annually for inflation).

H.R. 4251 would require towing vessels to be subject to inspection by the Coast Guard. Although those vessels are subject to some federal regulations, the Coast Guard is not required to inspect them. The Coast Guard also would likely establish, by regulation, safety standards for towing vessels that may expand the standards that the owners of those vessels currently comply with voluntarily. In addition, the Coast Guard would impose a fee on the towing vessels to cover the cost of the inspection. CBO estimates the inspection fee would amount to about \$2 million annually.

The bill also would require those vessels that are subject to Coast Guard inspection to have an adequate supply of potable water for drinking and washing by the passengers and crew.

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